

GOODWIN, PROCTER & HOAR
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
COUNSELLORS AT LAW
EXCHANGE PLACE
BOSTON MASSACHUSETTS 02109-2881

1100149029

TELEPHONE (617) 570-1000
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CABLE - GOODPROCT BOSTON

March 16, 1994

RECORDATION NO. 77-286 FILED 1425

MAR 21 1994 - 12 45 PM

Sidney L. Strickland, Jr
Secretary
Interstate Commerce Commission
Washington, D C 20423

INTERSTATE COMMERCE COMMISSION

Re Transmittal Letter for Recordation of Security Agreement

Dear Secretary

I have enclosed an original and one certified copy of the document, described below, to be recorded pursuant to Section 11303 of Title 49 of the U S Code and 49 C F R Part 1177. I am submitting this document in my capacity as special counsel to BayBank, the Massachusetts Trust Company that financed the transaction in connection with which the enclosed document was executed and delivered.

This document is a security agreement, a primary document, dated March 16, 1994.

This document is connected with a document which is recorded under W-28 and we request that this Security Agreement be cross-indexed with W-28.

The names and addresses of the parties to the document are as follows:

"Lender": BayBank
7 New England Executive Center
Burlington, Massachusetts 01803

"Owner": Olive Leasing Corporation
Three Radnor Corporate Center
Suite 400
100 Matsonford Road
Radnor, Pennsylvania 19087

A description of the equipment covered by the document follows:

The one hundred sixteen (116) open deck river scows, used on the intracoastal waterways and rivers in the vicinity of New York City (including northeastern New

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SECRETARY
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GOODWIN, PROCTER & HOAR

March 16, 1994

Page 2

Jersey and southwestern Connecticut) to carry aggregate, crushed stone and similar building materials. Attached is a list containing the name and official number of each such open deck river scow. Each such open deck river scow is documented as a "vessel of the United States" in the Port of New York.

As required by 49 C.F.R. Section 1177.3(c), this letter is accompanied by a check in the amount of \$16.00. This is the recordation fee set forth in 49 C.F.R. 1002.2(f)(84). Please return the original and any extra copies not needed by the Commission for recordation to the undersigned, Michael J. Dickey, Esq., Goodwin, Procter & Hoar, Exchange Place, Boston, Massachusetts 02109-2881.

A short summary of the document as it should appear in the Commission index for public use, as described in 49 C.F.R. Section 1177.4(a), is as follows.

Security Agreement between Olive Leasing Corporation, Three Radnor Corporate Center, Suite 400, 100 Matsonford Road, Radnor, Pennsylvania 19087, as "Owner", and BayBank, 7 New England Executive Park, Burlington, Massachusetts 01803, as "Lender", dated March 16, 1994, covering one hundred sixteen (116) open deck river scows and other related property.

Very truly yours,


Michael J. Dickey

47876 cl

GOODWIN, PROCTER & HOAR
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
COUNSELLORS AT LAW
EXCHANGE PLACE
BOSTON MASSACHUSETTS 02109-2881

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March 17, 1994

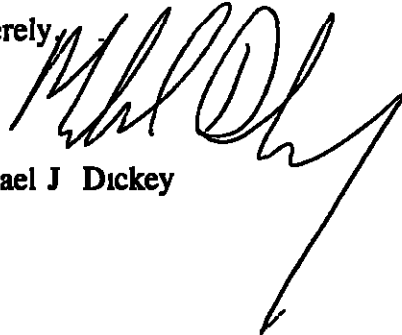
Mrs. Mildred Lee
Office of the Secretary of the
Interstate Commerce Commission
12th and Constitution Avenue, N W.
Room 2303
Washington, D C 20243

Dear Mrs. Lee:

Thank you for your telephone call of today. As per our discussion, please find enclosed a check in the amount of \$2 00 made payable to the Secretary of the Interstate Commerce Commission representing registration fees payable.

Thank you for your assistance in this matter. If you have any questions, please feel free to call

Sincerely,



Michael J Dickey

MJD.kmj
Enclosure

64316 c1

Interstate Commerce Commission
Washington, D.C. 20423

3/23/94

OFFICE OF THE SECRETARY

Michael J Dickey
Goodwin Procter & Hoar
Counsellors At Law
Exchange Place
Boston Massachusetts 02109 - 2881
Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions
of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303,
on **3/21/93** at **12:45pm**, and assigned
recordation number(s). **W-28-B**

Sincerely yours,

Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

RECORDATION NO. 71-28-E
FILED 1425

MAR 21 1994 - 12 45 PM

INTERSTATE COMMERCE COMMISSION

COMMONWEALTH OF MASSACHUSETTS)

) ss.

Suffolk)

I hereby certify that I have compared the attached copy with the original of a Security Agreement dated as of March 16, 1994 between Olive Leasing Corporation, as Owner, and BayBank as Lender, and have found the copy to be complete and identical in all respects to the original document,

At Boston, Massachusetts this 16th day of March, 1994



John Egan Jones

Notary Public

My Commission Expires October 24, 1997

(Notarial Seal)

63941 cl

RECORDATION NO. W-28-E FILED 1425

MAR 21 1994 - 12 45 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated March 16, 1994 (the "Security Agreement") between Olive Leasing Corporation, a Pennsylvania corporation with an address at Three Radnor Corporate Center, Suite 400, 100 Matsonford Road, Radnor, PA 19087 (the "Owner") and BayBank, a Massachusetts Trust Company with a principal office at 7 New England Executive Park, Burlington, MA 01803 (the "Lender").

A As provided in Section 1.1 hereof, the terms defined in Schedule 1 hereto or by reference therein to other instruments and which are not specifically defined herein shall have the respective meanings stated in Schedule 1 or such instruments

B The Owner has duly executed and delivered its Promissory Note due January 1, 1996 (herein as at any time modified, amended or supplemented called the "Note") dated the date hereof to the Lender in the original principal amount of \$11,457,892.39 and in the form attached hereto as Exhibit A.

C The Owner has chartered the Vessels to the Charterer pursuant to the Charter

NOW, THEREFORE, in consideration of the premises, of the mutual covenants herein contained, and of other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and in order to grant a security interest to the Lender to secure the Note and the other obligations to the Lender referred to herein

GRANTING CLAUSE

The Owner does hereby grant, sell, convey, assign, transfer, mortgage, pledge, set over and confirm unto the Lender continuing security interests in all of its right, title and interest in, to and under the following

I. The Charter, including all moneys due and to become due to the Owner thereunder.

II The Clinton Point Agreement

III The NYTR Guarantee

IV The Lone Star Guarantee

V The Vessels, together with all of their engines, boilers, machinery, masts, boats, anchors, capstans, outfit, tools, pumps, pumping and other equipment and all other appurtenances now or at any time hereafter appertaining or belonging thereto and whether on board or not on board, and also any and all additions,

improvements and replacements hereafter made in or to the said Vessels or their appurtenances as aforesaid

VI All charters (other than the Charter), leases or contracts of affreightment covering the Vessels, including all moneys due or to become due thereunder.

VII All proceeds of the foregoing, including without limitation in the case of the Vessels all casualty insurance proceeds and requisition payments

The right, title and interest of the Lender described in paragraphs I through VII are herein collectively called the "Loan Security"

Irrespective of the foregoing, (1) the Owner shall remain liable to perform whatever obligations it may have under the Charter and the above-mentioned other contracts, (2) the Lender shall not, by virtue of this Security Agreement, have any obligations under the Charter (other than as expressly provided herein) or the above-mentioned other contracts, or be required to make any payment owing by the Owner thereunder, (3) subject to Section 2.16 hereof, except during any period after the Owner shall have received written notice from the Lender as to the existence of a Loan Event of Default and until the Lender shall have notified the Owner in writing that all Loan Events of Default have been cured or waived, the Owner shall be entitled to exercise all of its rights under the Charter (provided that the Owner shall not be permitted to terminate the Charter or exercise its rights under Section 16(d) of the Charter without the prior written consent of the Lender) and said other contracts, and to receive all of the benefits accruing to it thereunder as if the foregoing were not applicable, and (4) subject to Section 3.3 hereof, the Owner shall have the right at all times to make any claim or institute any action to enforce payment in full of amounts due to the Owner under the Charter in any instance where the Charterer or the Owner has paid an amount sufficient to cover the principal and interest then due on the Note but the Charterer has paid less than the total amount due as Basic Hire or Supplemental Hire, or any other amount otherwise due and payable by the Charterer under the Charter

The Owner hereby agrees with the Lender that the Loan Security is to be held by the Lender subject to the further agreements and conditions herein set forth

ARTICLE I

DEFINITIONS

Section 1.1 Definitions, etc

For all purposes of this Security Agreement, unless otherwise expressly provided or unless the context requires:

(1) All references herein to Articles, Sections or other subdivisions, unless otherwise specified, refer to the corresponding Articles, Sections and other subdivisions of this Security Agreement,

(2) The terms "hereof", "herein", "hereby", "hereto", "hereunder" and "herewith" refer to this Security Agreement,

(3) The terms defined in Schedule 1 hereto or by reference therein to other instruments and which are not specifically defined herein shall have the respective meanings stated in Schedule 1 or such instruments

ARTICLE II

REPRESENTATIONS AND AGREEMENTS OF THE OWNER

The Owner hereby represents and agrees, so long as this Security Agreement shall not have been discharged, as follows.

Section 2 1 Concerning the Charter The Owner shall duly perform all of the terms of the Charter binding on the Owner

Section 2 2 Financial Statements The Owner shall furnish to the Lender

(a) within 120 days after the end of each fiscal year of the Owner, a copy of the unaudited annual financial statements (consisting of at least a balance sheet and related statements of income and retained earnings and statement of cash flows) of the Owner prepared in conformity with generally accepted accounting principles consistently applied and certified by the chief financial officer or other authorized officer acceptable to the Lender,

(b) such other information concerning the Owner's financial condition or operations as the Lender shall reasonably request from time to time,

(c) within 120 days after the end of each fiscal year of the Guarantor, a copy of the audited annual financial statements of the Guarantor and within 60 days after the end of each fiscal quarter, management prepared quarterly financial statements of the Guarantor (consisting of at least a balance sheet and related statements of income and retained earnings and statement of cash flows) prepared in conformity with generally accepted accounting principles consistently applied and certified by the chief financial officer or other authorized officer acceptable to the Lender,

(d) copies of all financial statements, reports and other information supplied to the Owner pursuant to the reporting requirements of the Charter

Section 2 3 Payment of Obligations The Owner shall pay and discharge, when due, all of its indebtedness and obligations, except (i) any obligations being contested in good faith, (ii) to the extent that the Owner possesses a valid right of setoff, or (iii) so long as the Charter is in force, any obligations which the Charterer is obligated to perform under the Charter

Section 2.4 Certain Negative Covenants. Except as permitted by the Charter, Owner shall not:

(a) Create, incur, assume, suffer to exist, or guarantee or otherwise in any manner become directly or contingently liable for, any indebtedness or obligations (i) for borrowed money (other than the Owner's obligations under the Note), (ii) for the deferred purchase price of property or (iii) under leases or charters which should be recorded as capital leases in accordance with generally accepted-accounting principles: provided, however, that the Owner may (A) endorse negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and (B) enter into a tax sharing agreement with the Guarantor under which the obligations of the Owner are subordinated to its obligations to the Lender

(b) Create, incur, assume or suffer to exist any Lien upon or with respect to any of its assets or properties of any kind except (i) Liens in favor of the Lender, and (ii) in the case of the Vessels, Liens, expressly permitted by the terms of Section 2.5(c) hereof

(c) Acquire any capital stock, assets or obligations of any corporate or other entity or make any capital expenditures except capital expenditures in connection with the Vessels.

(d) Engage in any business or transaction of any kind other than in connection with the ownership, chartering and operation of the Vessels

(e) Enter into any merger or consolidation, or sell, lease or otherwise transfer all or a substantial portion of its assets except as expressly permitted by the terms of Section 2 5 hereof

Section 2 5 The Vessels.

(a) **Sale, Mortgage, Charter or Transfer of the Vessels** The Owner shall not, without the prior written consent of the Lender, sell, mortgage, demise charter, time charter or otherwise transfer any Vessel, except that the following transfers are expressly permitted without such consent. (A) the Charter, (B) subject to compliance with Section 2 8, takings or requisitions of the title or use of a Vessel by any government or governmental body, (C) sales permitted by Article VI, and (D) the Security Agreement and the Mortgage.

(b) **Taxes and Governmental Charges** The Owner shall pay and discharge, or cause to be paid and discharged on or before the date the same shall become delinquent, all

taxes, assessments, government charges, fines and penalties lawfully imposed upon any Vessel unless the same are being contested in good faith

(c) Liens on the Vessels The Owner agrees that it will not directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to any Vessel, the Owner's title thereto or any interest therein (and the Owner shall promptly take such action as may be necessary duly to discharge any such Lien), except the following (i) the Charter, liens permitted by the Charter and liens in favor of Lender, (ii) Liens for Impositions that are not yet past due, (iii) maritime Liens for current crew's, stevedore's or master's wages that are not yet past due, (iv) maritime Liens with respect to obligations incident to the maintenance, repair and alteration of the Vessels that are not yet past due, (v) maritime Liens with respect to other obligations incident to the current operation of the Vessels that either are not yet past due or (if subordinate to the Liens of the Security Agreement and Mortgage) have been due and payable for a period of less than 60 days, and (vi) any Liens being contested in good faith and by appropriate proceedings, so long as, in the reasonable opinion of the Lender, there is no material risk of any sale, forfeiture or loss of any Vessel Neither the Owner, any charterer, the master of any Vessel, or any other Person has or shall have any right, power or authority, without the prior written consent of the Lender, to create, incur or permit to be placed or imposed on any Vessel any Lien whatsoever, other than liens permitted by the preceding sentence

(d) Material Changes in the Vessels The Owner shall not make, or give its consent to anyone to make, any material change in the structure, means of propulsion, type or speed of any Vessel, unless it shall have received the Lender's prior written consent thereto

Section 2 6 Insurance

(a) The Owner shall cause to be carried and maintained casualty insurance and liability insurance with respect to each Vessel with responsible insurance companies, in each case in such forms, against such risks and in such amounts as are customarily insured against with respect to vessels of similar size, design, class and age used in the transportation of Aggregate by responsible owners, charterers and operators of such vessels similarly situated as the Charterer In no event shall the amount of casualty insurance coverage at any time be less than the aggregate Casualty Values of all Vessels as of the next Loss Payment Date Each policy with respect to such insurance shall (i) name the Charterer (so long as the Charter shall be in force), the Owner and the Lender as insureds and (in the case of casualty insurance coverage) as loss payees, as their respective interests may appear, (ii) include an effective waiver by the insurer of all claims against each insured (other than the Charterer or, if the Charter has been terminated, the Owner) for premiums, commissions and assessments, (iii) provide that each insured (other than the Charterer or, if the Charter has been terminated, the Owner) shall be insured notwithstanding any breach of any condition or warranty or any other act by the Charterer, the Owner, or any other person, (iv) provide that such insurance shall be primary insurance and shall be payable without right of contribution from any other insurance coverage, (v) provide that no cancellation or material change shall

be effective as to any insured (other than the Charterer or, if the Charter has been terminated, the Owner) until at least 15 days after the receipt by such insured of written notice thereof, and (vi) waive any right of subrogation against any insured (other than the Charterer or, if the Charter has been terminated, the Owner)

(b) Notwithstanding any other provision of Section 2.6(a) hereof, all proceeds of any casualty insurance in excess of \$150,000 shall be paid over (i) to the Lender for application to the payment of Casualty Value in the case of an Event of Loss with respect to any Vessel (and the Owner hereby appoints the Lender its attorney in fact for the purpose of asking, requiring, demanding, receiving, compounding and giving acquittance for any and all such casualty insurance proceeds), and any balance remaining after payment in full of such Casualty Value shall be remitted to the Charterer if no Charter Event of Default shall have occurred and be continuing, or, (ii) so long as no Charter Event of Default shall have occurred and be continuing, to the reimbursement of the Charterer or, if the Charter has been terminated, the Owner for the cost of repairing and restoring any damaged Vessel as to which no Event of Loss shall have occurred. All proceeds of any casualty insurance equal to or below \$150,000 shall, so long as no Charter Event of Default shall have occurred and be continuing, be paid over to the Charterer or, if the Charter has been terminated, the Owner for application to the payment of Casualty Value or the cost of repairing and restoring any damaged Vessel, as the case may be, or, if the Charter has been terminated, so long as no Loan Event of Default shall have occurred and be continuing, be paid over to the Owner for application to the payment of the cost of repairing any damaged Vessel. Each casualty insurance policy maintained pursuant to Section 2.6(a) hereof shall provide for payment as aforesaid

(c) The Owner shall, prior to the Lender making an advance under the Note and from time to time on request, and in any event on or before January 31 of each calendar year, furnish to the Lender a detailed report with respect to the casualty and liability insurance carried and maintained on the Vessels

(d) The Owner and the Charterer shall each have the right to maintain any casualty insurance on the Vessels in addition to the insurance required to be maintained pursuant to the preceding provisions of this Section 2.6 for the purpose of protecting the Fair Market Sales Value of the Vessels net of the value of the charter interest created by the Charter (in the case of the Owner) or of protecting the value of the charter interest created by the Charter (in the case of the Charterer), provided that such additional casualty insurance would not in any way impair any insurance so required to be maintained

Section 2.7 Inspection of the Vessels, Examination of Owner's Records. The Owner will (i) permit, and will require the Charterer to permit, the Lender to have access to the Vessels, their cargoes and papers for the purpose of inspecting the same, subject to the restrictions set forth in Section 11(h) of the Charter, and (ii) at reasonable times permit the Lender, upon request, to make reasonable, material and pertinent examination and audit of the books, records and accounts of the Owner, and to take information therefrom and make transcripts or copies thereof, but, in each instance, only to the extent the Lender may

reasonably deem necessary or appropriate in connection with the agreements of the Owner hereunder

Section 2 8 Events of Loss Upon the occurrence of an Event of Loss with respect to any Vessel

(1) The Owner shall give written notice thereof to the Lender promptly after it receives notice of the Event of Loss, which notice shall include (i) a statement of the Casualty Value payable under the Charter on the Loss Payment Date next following such Event of Loss, (ii) a projection of the remaining Basic Hire, Supplemental Hire and purchase option payments due under Section 19 of the Charter, which are projected to be payable under the Charter through January 1, 1996 (the "Projections").

(2) On the Loss Payment Date next following such Event of Loss, the Owner shall prepay a principal amount of the Note equal to the Casualty Value,

(3) In the event the Lender determines, based upon the Projections, that the Charterer's payment obligations remaining under the Charter will be insufficient to pay the remaining payments due under the Note, and such insufficiency is equal to, or greater than \$150,000, Owner shall, on such Loss Payment Date, in addition to the payment due under subparagraph (2) above, prepay a principal amount of the Note equal to such insufficiency,

(4) The Owner shall promptly pay any or all amounts it may receive in connection with such Event of Loss to the Lender up to the amount payable pursuant to the foregoing subparagraphs (2) and (3);

(5) All amounts which are received by the Lender in connection with an Event of Loss (whether from the Owner, from an insurer or a government or governmental body, from the Charterer or otherwise), up to the amount payable pursuant to the foregoing subparagraph (2) and (3), shall be retained by the Lender and applied to the payment of the amount payable pursuant to the foregoing subparagraph (2) and (3),

(6) If there is no existing Loan Default, all other amounts received by the Lender with respect to such Event of Loss shall be promptly returned to the Owner or, if there is an existing Loan Default, such amounts shall be applied as provided in Section 3 5 hereof, and

(7) Following payment of the amounts required to be paid pursuant to subparagraph (2) and (3) above, all installments of the principal and interest of the Note required to be paid on each subsequent January 1 or July 1 shall be reduced ratably in accordance with the reduction in the principal amount of the Note resulting

from the prepayment pursuant to the said subparagraph (2) and (3), and Schedule X to the Note shall be deemed to have been amended accordingly

Section 2 9 Compliance with Ship Mortgage Act The Owner is, and shall at all times continue to be, a citizen of the United States within the meaning of Chapter 313 of Title 46 United States Code as amended, qualified to operate the Vessels in the coastwise trade. The Owner shall comply with and satisfy or cause to be complied with and satisfied all of the provisions of Chapter 313 of Title 46 United States Code as amended, in order to establish, within a reasonable time after the execution and delivery of the Mortgage, and thereafter to maintain, the Mortgage as a preferred mortgage thereunder upon each Vessel

Section 2 10 Notice of Mortgage The Owner shall carry or cause to be carried with the ship's papers on each of the Vessels subject to the Mortgage, except unmanned vessels as to which a certified copy will be kept with the ship's papers, a properly certified copy of the Mortgage and all supplements thereto, and will cause the master or other person in charge of each such Vessel to exhibit, on demand, the said copy of the Mortgage and all supplements thereto to any Person having business with the Vessel or to the representative of the Lender. The Owner represents that the Charterer has agreed that, if the Lender so requests, within 120 days after the date of this Security Agreement, the Charterer shall permanently affix to each of the Vessels in a prominent location a durable metal plate bearing a permanent notice in plain type of such size that the paragraph of reading matter shall cover a space not less than six inches wide by nine inches high, which notice shall read as set forth below

"NOTICE OF FLEET MORTGAGE AND CHARTER

"This Vessel is owned by Olive Leasing Corporation, is covered by a First Preferred Fleet Mortgage in favor of BayBank under authority of Chapter 313 of Title 46 United States Code as amended, and is under bareboat charter to NYTR Transportation Corp. No person has any right to create or permit to be placed upon this Vessel any lien whatsoever other than liens for wages of a stevedore and the crew in respect of this Vessel under certain conditions, for general average or for salvage, or certain liens subordinate to said fleet mortgages incident to current operations or for maintenance or repairs "

Section 2 11 Payment of Principal of and Interest on the Note The Owner shall duly and punctually pay the principal of and interest on the Note, when the same shall become due and payable, whether by reason of maturity, acceleration or otherwise, in accordance with the terms of the Note

Section 2 12 Performance of Owner's Agreements by the Lender If the Owner shall fail to perform any of its agreements hereunder or under the Mortgage, or if the Charterer shall fail to perform any of its agreements under the Charter, the Lender may, following written notice to the Owner and in its discretion, at any time during the continuance of a Loan Default, do all acts and make all necessary expenditures to remedy

such failure Notwithstanding the foregoing, the Lender shall not be obligated to (and shall not be liable for its failure to) do such acts and make such expenditures

All funds advanced and expenses and damages incurred by the Lender in connection with any such compliance, together with interest thereon at the Overdue Rate, shall constitute a debt due from the Owner to the Lender and shall be secured hereunder and under the Mortgage and shall be repaid by the Owner upon demand

Section 2 13 Uniform Commercial Code Filings, Further Assurances The Owner shall (i) furnish evidence satisfactory to the Lender that financing statements under the Uniform Commercial Code shall have been filed listing the Owner as debtor in all offices in which it may be necessary or advisable in the opinion of the Lender to perfect its security interest, and (ii) from time to time execute and deliver such further instruments and take such action as may reasonably be required by the Lender to more effectively subject the Loan Security to the lien of this Security Agreement and the Mortgage as contemplated hereby The Owner agrees that a carbon, photographic or other reproduction of this Security Agreement may be filed as a financing statement The Lender will give the Owner notice of all jurisdictions in which Uniform Commercial Code filings are made or the Security Agreement is filed

Section 2 14 Corporate Existence The Owner shall preserve and maintain its separate corporate existence and all rights, privileges and franchises in connection therewith and shall maintain its corporate existence, rights and privileges in the jurisdiction of its incorporation, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary or desirable and shall comply with all material laws and regulations applicable to it

Section 2 15 Use and Maintenance, Alterations, Identifying Marks, Inspection During the term of an Owner Requisition pursuant to Section 16 of the Charter and after termination of the Charter.

(a) The Owner shall use, operate, maintain and repair the Vessels (or cause the Vessels to be used, operated, maintained and repaired) in accordance with good commercial practices in the Aggregate river scow shipping industry, and in compliance with (i) any and all laws, ordinances, rules, regulations or orders of any governmental authority or court applicable to the use, operation, maintenance or repair of the Vessels (provided that the Owner shall not be required to comply with any such laws, ordinances, rules, regulations or orders so long as it is contesting the validity, application or interpretation thereof in good faith and by appropriate proceedings, and so long as, in the reasonable opinion of the Lender, there is no material risk of any sale, forfeiture or loss of any Vessels or of any material criminal or civil penalty) and (ii) the applicable provisions of the insurance policies required to be maintained under this Security Agreement

(b) The Owner at its expense shall at all times maintain or cause to be maintained the Vessels in accordance with good commercial practices generally employed in the

Aggregate river scow shipping industry, so that the Vessels shall be, insofar as due diligence can make them so, tight, staunch, strong and well and sufficiently tackled, apparelled, furnished, equipped and in every respect seaworthy and in good operating condition, subject to such ordinary wear and tear as might reasonably be expected for river scows of similar size, design, class and age engaged in the transportation of Aggregate. The Vessels shall be repaired, overhauled, dry-docked, cleaned and painted whenever necessary to maintain the Vessels in accordance with this Section 2.15(b).

(c) Except as required pursuant to Section 2.15(d) hereof, the Owner shall not, without the prior written consent of the Lender, alter or modify any Vessel in any way which could impair its originally intended function, use, capacity or value, nor connect, affix or install any equipment, accessory or device to or on any Vessel which is not readily removable without damaging the Vessel or which could impair the originally intended function, use, capacity or value of any Vessel.

(d) Notwithstanding any prohibitions of Section 2.15(c) hereof, the Owner shall make or cause to be made all alterations and modifications to the Vessels and shall connect, affix and install or cause to be corrected, affixed or installed any equipment, accessory or device to or on the Vessels that may be required in order to comply with any and all laws, ordinances, rules, regulations or orders of any governmental authority or court (provided that the Owner shall not be required to comply with any such laws, ordinances, rules, regulations or orders so long as it is contesting the validity, application or interpretation thereof in good faith and by appropriate proceedings, so long as, in the reasonable opinion of the Lender, there is no material risk of any sale, forfeiture or loss of any Vessel or of any material criminal or civil penalty).

Section 2.16 Charter Payments The Owner hereby agrees to execute and deliver to the Charterer irrevocable instructions to make all payments of Basic Hire and Supplemental Hire directly to the Lender's account located at BayBank Boston ABA #0110-01742 for further credit to BayBank Attn Lease Department, account number 800/14919, or to such other account as the Lender may from time to time direct by written notice to the Owner. If there is no existing Loan Event of Default, the Lender shall promptly apply all amounts it receives in satisfaction of the amounts then due and payable under the Note and this Security Agreement and disburse the remainder of such amounts to or as directed by the Owner.

Section 2.17 Performance by Charterer To the extent that any obligation of the Owner contained in this Security Agreement is capable of being satisfied and fulfilled by the Charterer, the performance of such obligation by the Charterer shall be accepted by the Lender and shall to the extent of such performance be deemed to satisfy and fulfill such obligations of the Owner.

Section 2.18. Prepayment The Owner shall have the right to prepay, all or any part of the then outstanding principal of the Loan, together with accrued interest and with a prepayment charge equal to one percent (1%) of the outstanding principal of the Loan.

immediately preceding such prepayment Notwithstanding the foregoing the prepayment charge shall not be due in the following circumstances

- (i) where the Owner makes a prepayment pursuant to the terms of Section 2 8, or
- (ii) if there exists and is continuing a Charter Event of Default or a Loan Event of Default as set out in Section 3 1 of this Security Agreement

ARTICLE III

DEFAULTS AND REMEDIES

Section 3.1 What Constitutes a "Loan Event of Default" Each of the following events shall constitute a "Loan Event of Default" within the meaning of this Section

(a) Default, continued for 30 days after receipt by the Owner of written notice of nonpayment from the Lender, in the payment of the whole or any part of the principal of, or interest on the Note or any other amounts secured by this Security Agreement when the same shall become due and payable, whether at maturity, by acceleration or otherwise, it being understood, however, that notwithstanding anything else in this Security Agreement to the contrary, all amounts due but not paid to the Lender shall accrue interest at the Overdue Rate until paid.

(b) default by the Owner, continued for 30 days after receipt of written notice thereof, by certified or registered mail to the Owner and the Charterer from the Lender, in the due and punctual observance of any other agreement in any of the Basic Documents to which the Owner is a party provided however, that an Event of Default shall not be deemed to have occurred if the default is susceptible to cure and the Owner shall be diligently proceeding to cure such default and affects a cure with 45 days of such written notice,

(c) any representation or warranty of the Owner contained in any of the Note, the Mortgage and this Security Agreement, or in any document or certificate furnished to the Lender pursuant to any provision of, or in connection with the transactions contemplated by, any of the Note, the Mortgage and this Security Agreement shall prove to have been incorrect or misleading in any material respect as of the date on which made,

(d) the Owner shall be dissolved or shall, by a court of competent jurisdiction, be adjudged a bankrupt or shall make a general assignment for the benefit of its creditors, or a petition for reorganization of the Owner under the Bankruptcy Code shall be filed by the Owner, or such petition shall be filed by creditors and the same shall be approved by a court of competent jurisdiction; or a reorganization of the Owner under the Bankruptcy Code shall be approved by such a court, whether proposed by a creditor, a stockholder or any other person whomsoever; or a receiver or receivers of any kind whatsoever, whether appointed in

admiralty, bankruptcy, common law or equity proceedings, shall be appointed, by a decree of a court of competent jurisdiction, with respect to the Vessels or all or substantially all of the property of the Owner, and such decree shall have continued unstayed, on appeal or otherwise, and in effect for a period of 60 days,

- (e) a Charter Event of Default shall have occurred and be continuing,
- (f) the LFC Guaranty shall at any time after its execution and delivery and for any reason cease to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Guarantor or the Guarantor shall deny it has any further liability or obligation under the LFC Guaranty, or
- (g) any of the following events shall occur with respect to the Guarantor
 - (i) the Guarantor shall fail to perform or observe any covenant, agreement or provision to be performed or observed by the Guarantor under the LFC Guaranty, provided, however, notwithstanding the foregoing, a Loan Event of Default shall not be deemed to have occurred if the Guarantor cures any failure to perform or observe any provision of the LFC Guaranty prior to the Owner providing the Lender with the financial information required by Section 2.2(c),
 - (ii) any representation or warranty of the Guarantor in the LFC Guaranty, or financial statement of the Guarantor, or any other written information supplied or furnished to the Lender by the Guarantor and upon which the Lender relied when making its decision to extend credit to the Owner, shall prove to be incorrect or misleading in any material respect as of the date on which made,
 - (iii) the Guarantor shall be involved in financial difficulties as evidenced
 - (1) by its commencement of a voluntary case under Title 11 of the United States Code as from time to time in effect, or by its authorizing, by appropriate proceedings of its board of directors or other governing body, the commencement of such a voluntary case,
 - (2) by its filing an answer or other pleading admitting or failing to deny the material allegations of a petition filed against it commencing an involuntary case under said Title 11, or seeking, consenting to or acquiescing in the relief therein provided, or by its failing to controvert timely the material allegations of any such petition,
 - (3) by the entry of an order for relief in any involuntary case commenced under said Title 11 against the Guarantor,
 - (4) by its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization

of debtors or to the modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief,

(5) by the entry of an order by a court of competent jurisdiction (a) finding it to be bankrupt or insolvent, (b) ordering or approving its liquidation, reorganization or any modification or alteration of the rights of its creditors, or (c) assuming custody of, or appointing a receiver or other custodian for all or a substantial part of its property and such order shall not be vacated or stayed on appeal or otherwise stayed within 30 days,

(6) by the filing of a petition against the Guarantor or any guarantor under said Title 11 which shall not be vacated within 60 days, or

(7) by its making an assignment for the benefit of, or entering into a composition with, its creditors, or appointing or consenting to the appointment of a receiver or other custodian for all or a substantial part of its property.

(iv) the consolidated shareholder's equity of the Guarantor, calculated by generally accepted accounting principles consistently applied, (prior to any reduction for any contra equity account required to be established by Guarantor pursuant to FASB 109), shall on any date be less than \$230,000,000 as evidenced by the Guarantors financial statements delivered pursuant to Section 2 2(c) of this Security Agreement; or

(v) declaration of payment of dividends on its stock in any single fiscal year which shall exceed the lesser of (A) an aggregate of \$3,500,000 (as long as the Guarantor remains indebted to PNC Bank, and subsequently \$10,000,000), or (B) 80% of net income after tax

Section 3 2. Acceleration of Maturity of Note Subject to the provisions of Section 3 3 hereof, the Lender may, by giving written notice to the Owner, declare the principal of, and interest on the Note to be immediately due and payable at any time after a Loan Event of Default shall have occurred and while such Loan Event of Default shall be continuing. Thereupon all amounts due under the Note shall become immediately due and payable

Section 3 3 Waivers of Default. Certain Payments and Actions by the Owner to Cure Defaults

(a) The Lender, in its sole discretion, may waive any Loan Event of Default or Loan Default No waiver under this Section 3 3(a) shall extend to or affect any subsequent or other Loan Event of Default or Loan Default, nor impair any rights or remedies consequent thereon

(b) In the event that as a result of the occurrence of a Charter Event of Default involving any payment of Hire being overdue, the Lender shall have received insufficient funds to pay any amount referred to in Section 3 1(a) hereof, the Owner may pay to the Lender, prior to the expiration of the grace period provided for in Section 3 1(a) hereof, an

amount equal to such insufficiency together with interest thereon at the Overdue Rate for the period for which such amounts were overdue. Subject to Section 3 3(d) hereof, such payment by the Owner shall be deemed to cure any Loan Event of Default which would otherwise have arisen from such Charter Event of Default. Upon such payment by it, the Owner shall be subrogated to the rights of the Lender in respect of such overdue payment of Hire and payment of interest on account of its being overdue, and therefore, shall, if no other Charter Event of Default or Loan Events of Default shall have occurred and be continuing and if all principal and interest payments due on the Note at the time of receipt by the Lender of such overdue payment of Hire have been paid, be entitled to receive such overdue Hire and such interest upon receipt thereof by the Lender, provided that in the event that the principal of, or interest on, the Note shall have been declared to be immediately due and payable pursuant to Section 3 2 such subrogation shall, until the principal of, or interest on, the Note shall have been paid in full, be subordinate to the rights of the Lender in respect of such payment of Hire and such interest prior to receipt by the Owner of any amount pursuant to such subrogation.

(c) In the event that, even though all Hire required to be paid under the Charter has been paid, the Lender shall have received insufficient funds to satisfy any amount referred to in Section 3 1(a) hereof, the Owner may pay to the Lender, prior to the expiration of the grace period provided for in Section 3 1(a) hereof, an amount equal to such insufficiency together with interest thereon at the Overdue Rate for the period for which such amounts were overdue. Subject to Section 3 3(d) hereof, any such payment by the Owner shall be deemed to cure such Loan Event of Default.

(d) The Owner shall have an absolute right to exercise its rights to cure under paragraph (b) or (c) of this Section 3 3 two, but not consecutive, times. Notwithstanding the foregoing, the Owner shall not be limited in its right to cure a shortfall in Excess Volume Payments under the Charter.

Section 3 4 Remedies After Default (a) Subject to the provisions of Section 3 3 hereof, at any time after a Loan Event of Default shall have occurred and be continuing, the Lender shall have the right to

(1) Take the Vessels without legal process wherever the same may be (and the Owner or other person in possession shall forthwith surrender possession of the Vessels to the Lender upon demand) and hold, lay up, lease, charter, operate or otherwise use the Vessels for such time and upon such terms as it may reasonably deem to be for the best advantage of the Lender, accounting only for the net profits, if any, arising from such use of the Vessels and charging against all receipts from the use of the Vessels all reasonable charges and expenses in connection with such use of the Vessels,

(2) Exercise all the rights and remedies in foreclosure and otherwise given to mortgagees under Chapter 313 of Title 46 United States Code, as amended,

(3) Bring suit at law, in equity or in admiralty to recover judgment for any and all amounts due under the Note, this Security Agreement and the Mortgage, collect the same out of any and all property of the Owner, whether or not the same is subject to the lien of this Security Agreement or the Mortgage, and in connection therewith obtain a decree ordering the sale of the Vessels in accordance with the following subparagraph (5),

(4) Have a receiver of the Vessels appointed as a matter of right in any suit under this Section (and any such receiver may have the rights of the Lender under the following subparagraph (5)),

(5) Sell the Vessels, free from any claim of the Owner, by public sale, held at such time and place and upon such terms and in such manner as the Lender may reasonably deem advisable, after first publishing notice of the time and place of such sale for 10 consecutive Business Days in the Authorized Newspapers, and mailing a copy of such notice by registered or certified mail to the Owner and the Charterer at their last known addresses, the first such publication and mailing to be made at least 30 days prior to the date fixed for such sale, provided, that such sale may be adjourned from time to time without further publication or notice (other than announcement of the time and place appointed to such sale or adjourned sale) It shall not be necessary to bring the Vessels to the place appointed for such sale or adjourned sale,

(6) Accept a conveyance of title to, and take without legal process (and the Owner or other Person in possession shall forthwith surrender possession to the Lender), the whole or any part of the Vessels and the Loan Security wherever the same may be, and take possession of and hold the same, - -

(7) In its discretion, to the extent not in express conflict with this Section 3 4, take any and all action provided for or authorized or permitted by or in respect of the Note, this Security Agreement, the Vessels and the other Loan Security (said documents, funds and assets being herein called the "Increased Loan Security"), including all action provided for in or authorized or permitted by or in respect of the Increased Loan Security,

(8) Receive, in the event of an actual or constructive total loss or an agreed or comprised total loss or a requisition of title to or use of the Vessels, all insurance or other payments therefor to which the Owner would otherwise be entitled, such insurance monies to be applied by the Lender in accordance with the interest of the Lender as provided in Section 4 1 and, if any balance remains, in accordance with the interest of the Owner as provided in Section 4 2, and

(9) Pursue to final collection all claims arising under, and to collect such claims from, the Increased Loan Security,

provided that the Lender shall not exercise the remedies set forth in the clause (2) or (5) above, either directly or indirectly, if a Loan Event of Default referred to in Section 3 1(e) hereof shall have occurred and be continuing unless the Charter has theretofore been terminated

(b) The Owner hereby irrevocably appoints the Lender the true and lawful attorney of the Owner, in its name and stead, to make all necessary transfers of the whole or any part of the Increased Loan Security in connection with a sale or other disposition pursuant to paragraph (a) of this Section, and for that purpose to execute all necessary instruments of assignment and transfer. Nevertheless, the Owner shall, if so requested by the Lender in writing, ratify and confirm such sale by executing and delivering to any purchaser of the whole or any part of the Increased Loan Security such proper bill of sale, conveyance, instrument of transfer or release as may be designated in such request

(c) No remedy shall be exclusive of any other remedy, and each and every remedy shall be cumulative and in addition to any other remedy.

(d) No delay or omission to exercise any right or remedy shall impair any such right or remedy or shall be deemed to be a waiver of any Loan Event of Default

(e) The exercise of any right or remedy shall not constitute an election of remedies by the Lender

(f) If the Lender discontinues any proceeding, the rights and remedies of the Lender and of the Owner shall be as though no such proceeding had been taken

Section 3 5 Application of Proceeds (1) The proceeds (from sale or otherwise) of - - the whole or any part of the Increased Loan Security and use thereof by the Lender under any of the foregoing powers. (2) the proceeds of any judgment collected by the Lender for any Loan Default, (3) the proceeds of any insurance and of any claim for damages to the whole or any part of the Increased Loan Security received by the Lender while exercising any such power, and (4) all other amounts received by the Lender, including any other amounts which are required to be applied as provided in this Section, shall be applied by the Lender as follows

First—to the payment of all advances by the Lender secured by this Security Agreement and all reasonable charges and expenses of the Lender,

Second—to the payment of all sums of money (other than amounts referred to in clauses First above and Third below) due and unpaid secured by the Mortgage or this Security Agreement,

Third—to the payment of the whole amount of the principal or interest then due and unpaid upon the Note, and

Fourth—any balance thereof remaining shall be paid to the Owner

Section 3 6 General Powers of Lender

(a) In the event that any Vessel shall be arrested or detained by a marshal or other officer of any court of law, equity or admiralty jurisdiction or by any government or other authority and shall not be released from arrest or detention within 15 days from the date of arrest or detention, the Owner hereby authorizes the Lender, in the name of the Owner, to apply for and receive possession of and to take possession of the Vessel with all the rights and powers that the Owner might have, possess and exercise in any such event This authorization is irrevocable

(b) The Owner irrevocably authorizes the Lender or its appointee (with full power of substitution) to appear in the name of the Owner in any court where a suit is pending against the whole or any part of the Increased Loan Security because of or on account of any alleged lien or claim against the whole or any part of the Increased Loan Security from which the whole or said part of the Increased Loan Security has not been released

(c) All reasonable expenses incurred pursuant to paragraph (a) or (b) of this Section shall constitute a debt due from the Owner to the Lender and be repaid by the Owner upon demand The Lender shall not be obligated to (nor be liable for its failure to) take any action provided for in the foregoing paragraphs (a) and (b)

Section 3 7 Concerning the Charter. Notwithstanding any other provisions of this Article III, (i) nothing in this Security Agreement shall affect the rights of the Charterer under the Charter so long as an event which constitutes a Charter Event of Default as defined in Section 17 of the Charter shall not have occurred and be continuing under the Charter, and (ii), so long as the Charter shall be in effect and no Charter Event of Default thereunder shall have occurred and be continuing, if the Lender exercises any of the rights and remedies afforded it by this Security Agreement, the Mortgage or by law, such exercise shall be in such manner as to permit the continued utilization and operation of the Vessels under the Charter with the minimum disruption of service except as otherwise expressly provided in Section 16 of the Charter; provided that (A) nothing in this Section 3 7 and none of the actions or omissions to act by the Lender contemplated by this Section 3 7 shall be deemed a waiver by the Lender of the preferred status of the Mortgage nor of any of the benefits, privileges or provisions given by Chapter 313 of Title 46 United States Code as amended, (B) no provision hereof shall constitute a waiver of such preferred status or any of such benefits, privileges or provisions, and (C) in the event that any provision of this Security Agreement and the Mortgage should be or should be held by a court of competent jurisdiction to be a waiver of or otherwise prejudicial to such preferred status, then in such event such provisions of this Security Agreement and the Mortgage should be and shall be deemed to be of no force and effect

Section 3 8 Rescission of Payments Notwithstanding any other provision of this Security Agreement, or of the Note, in the event that any payment to the Lender of the

principal of, or interest due under the Note, or any portion of any such payment, shall at any time be repaid by the Lender in compliance with an order (whether or not final) of a court of competent jurisdiction pursuant to any provision of the Bankruptcy Code or any Federal law replacing or superseding such Code, or applicable state law, and regardless of whether there has been any previous Loan Event of Default and any payment pursuant thereto, or whether the Note shall theretofore have been acquired by the Owner or cancelled, or whether an instrument satisfying and discharging this Security Agreement shall have been executed and delivered, (1) the Note shall not be deemed to have been retired or paid and shall be deemed to be outstanding, (2) the return of such payment in whole or in part (but not the mere possibility that any such payment or portion thereof may be required to be returned, nor any prior demand, suit or proceeding for such return) in compliance with the order of such court shall constitute a default in payment of the Note within the meaning of Section 3 1(a), which default shall be deemed to have occurred on the date of such repayment and which default, if continued for 30 days, will constitute a Loan Event of Default, and (3) the Lender shall be deemed for all purposes to be a holder of the Note and entitled to enforce the Note to the extent of such repayment and shall also be entitled to exercise all of the rights of the Lender hereunder necessary for such enforcement

ARTICLE IV

RIGHTS OF LENDER AND OWNER

Section 4 1 The Interest of the Lender The interest of the Lender in the Increased Loan Security, and any cash, securities or other property (other than property purchased by the Lender at foreclosure proceedings or other public sale and any payments or receipts from the requisition, sale, charter, operation or other use or disposition of any such property accrued after the time of acquisition of title at such proceedings or sale, all of which property, payments and receipts shall belong to and vest exclusively in the Lender), which may at any time be collected, received, realized or held by or for the Lender (or others) in respect thereof (including payments referred to in Section 3 4(a)(5)) shall be equal to, but not in excess of, an amount equal to the total of

(1) the expenses (including administrative expenses but only so long as they are out-of-pocket administrative expenses) incurred and advances and disbursements made by the Lender in the assertion, protection, pursuit and/or enforcement of the rights and remedies, or any of them, stated in Sections 3 4 and 3 6, and all other expenses (including administrative expenses but only so long as they are out-of-pocket administrative expenses) incurred and advances and disbursements made by the Lender in connection with the Increased Loan Security or otherwise (other than those incurred or made in respect of the purchase of the Vessels by the Lender at foreclosure proceedings or other public sale, after the time of acquisition of title at such foreclosure proceedings or other public sale), and

(2) an amount equal to the amount of principal and interest which is due and payable, or will become due and payable, upon the Note,

after deducting therefrom all cash payments theretofore made to the Lender on account of said items; and such interest shall be discharged and satisfied in full before discharging and satisfying any interest of the Owner

Section 4 2. The Interest of the Owner The interest of the Owner, including its interest for the purpose of asserting, protecting, pursuing or enforcing any or all of the rights in or under the Increased Loan Security, and any cash, securities or other property (other than property purchased by the Lender at foreclosure proceedings or other public sale, and any payments or receipts from the requisition, sale, charter, operation or other use or disposition of any such property accrued after the time of requisition of title at such proceedings or sale, all of which property, payment or receipts shall as stated above belong to and vest exclusively in the Lender), which may at any time be collected, received, realized or held by or for the Lender (or others) in respect thereof (including payments referred to in Section 3 4(a)(5)), shall except as otherwise provided herein be a residual interest after full discharge and satisfaction of the interest of the Lender, as provided in Section 4 1, and the Lender shall promptly pay or otherwise account therefor to the Owner

Section 4 3 Certain Provisions of the Charter The Lender agrees, for the benefit of the Owner and the Charterer, to perform the covenants applicable to the Lender set forth in Sections 12 and 13 of the Charter relating to the application of moneys received by the Lender

ARTICLE V

AMENDMENTS AND SUPPLEMENTS

Section 5 1 Amendments and Supplements to the Security Agreement and Mortgage This Security Agreement and the Mortgage may not be amended or supplemented orally but may be amended or supplemented from time to time by an instrument in writing executed by the Owner and the Lender

Section 5 2 Waiver of Security Agreement Provisions The benefits to or rights of the Lender under any provision of this Security Agreement may be waived in writing by the Lender either upon request by the Owner or in the Lender's discretion

Section 5 3 Amendments and Supplements to the Charter, etc The Owner agrees that no amendments or supplements will be made to the Charter, or the Clinton Point Agreement, without the prior written consent of the Lender, and any purported action or attempt to take action forbidden to be taken by this Section 5 3 shall be null and void and of no force or effect

ARTICLE VI

SALE AND REDEPLOYMENT OF VESSELS AND MANDATORY PRE-PAYMENT UPON SALE

Section 6.1 Purchase of Vessels by Charterer Concurrently with any purchase by the Charterer of all, or a portion of, the Vessels pursuant to Section 19 of the Charter, the Owner shall apply all amounts received from the Charterer, as payment for those Vessels purchased, against the unpaid principal amount of the Note, together with the accrued and unpaid interest, if any, on such amount to the day of payment

Section 6.2 Purchase or Deployment of Vessel At the termination or expiration of the Charter, provided no Event of Loan Default shall have occurred and be continuing, net proceeds received by the Owner or the Lender from the sale, lease, charter or use of the Vessels other than pursuant to the provisions of Section 16 or 18 of the Charter, shall be applied to prepay the entire unpaid principal amount of the Note together with accrued and unpaid interest, if any, on such amount to the date of repayment

Section 6.3 Sale During Requisition During such period as the Owner is exercising its rights under Section 16 of the Charter and so long as no Loan Event of Default shall have occurred and be continuing, the Lender agrees that the Owner may exercise its remedies under Section 16(d) of the Charter, provided that the Lender shall receive from proceeds of such sale an amount computed in accordance with Sections 2.8(2) and (3) hereof to be applied to the prepayment of the Note

Section 6.4 Charterer's Purchase Option Nothing in this Security Agreement the Mortgage or the Note shall prevent the Owner from selling the Vessels pursuant to and in compliance with the provisions of Section 19 of the Charter

ARTICLE VII

NOTICES

Section 7.1 Notices Except as otherwise provided in this Security Agreement, all notices, requests, demands, directions, consents, waivers, approvals or other communications (1) may be made or delivered in person or by mail, addressed to the particular party as provided below, or to such other address as such party (or its successor) may hereafter specify by written notice to the other parties (or their respective successors), and (2) shall be in writing so addressed and shall be effective upon receipt by the addressee thereof.

The Lender: **BAYBANK EQUIPMENT FINANCE
& LEASING GROUP**
7 New England Executive Park
Burlington, MA 01803
Attention John J Evans
Senior Vice President

The Owner

OLIVE LEASING CORPORATION
Three Radnor Corporate Center
Suite 400
100 Matsonford Road
Radnor, Pennsylvania 19087
Attention Christopher J Davis
Vice President and
Treasurer

with a copy to

The Guarantor

LFC FINANCIAL CORP
Three Radnor Corporate Center
Suite 400
100 Matsonford Road
Radnor, Pennsylvania 19087
Attention Christopher J Davis
President and
Chief Executive Officer

The Charterer

NYTR TRANSPORTATION CORP
One Paragon Drive
P O Box 432
Montvale, New Jersey 07645
Attention Ramsay A Moran
Vice President and
Assistant Treasurer

The Lender shall not be liable for failure to send copies of any such notices to any of the parties listed herein

Section 7.2 Waivers of Notice In any case where notice by publication, mail or otherwise is provided for by this Security Agreement, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be deemed the equivalent of such notice

Section 7.3 Change of Name The Owner shall not change its name or address without first notifying the Lender of the new name and the change in address, if any

ARTICLE VIII

DISCHARGE OF SECURITY AGREEMENT AND THE MORTGAGE

Section 8 1 Discharge of Security Agreement and the Mortgage If the Note shall have been satisfied and discharged and if the Owner shall pay or cause to be paid all other sums that may have become secured under this Security Agreement and the Mortgage, then this Security Agreement, the Mortgage and the liens, estate and rights and interest hereby and thereby granted shall cease, determine, and become null and void, and the Lender, on request of the Owner and at the Owner's cost and expense, shall forthwith cause satisfaction and discharge of this Security Agreement and the Mortgage to be entered upon its and other appropriate records and shall execute and deliver to the Owner such instruments as may be necessary, duly acknowledging the satisfaction and discharge of this Security Agreement and the Mortgage, and forthwith the estate, right, title and interest of the Lender in and to the Loan Security, the Increased Loan Security and any other securities, cash, and any other property held by it under this Security Agreement and the Mortgage shall thereupon cease, determine and become null and void, and the Lender shall transfer, deliver and pay the same to the Owner

ARTICLE IX

MISCELLANEOUS

Section 9 1 Successors and Assigns All the covenants, promises, stipulations and - - agreements of the Owner in this Security Agreement shall bind the Owner and its successors and assigns and shall inure to the benefit of the Lender and its successors and assigns, and all the covenants, promises, stipulations and agreement of the Lender in this Security Agreement shall bind the Lender and its successors and assigns and shall inure to the benefit of the owner and its successors and assigns, whether so expressed or not. This Security Agreement is for the sole benefit of the Owner, the Lender and their respective successors and assigns, and no other Person shall (except as otherwise expressly provided herein) have any right hereunder

Section 9 2 Execution in Counterparts This Security Agreement may be executed in any number of counterparts All such counterparts shall be deemed to be originals and shall together constitute but one and the same instrument

Section 9.3 Rights of Owner in Absence of Default Except during the existence of a Loan Default (unless the owner shall have failed to perform any of its agreements under Section 2 6 hereof, or the Charterer shall have failed to perform any of its agreements under the Charter and such failure shall be continuing at the time in question) the Owner (1) shall be suffered and permitted to retain actual possession and use of the Vessels and (2) shall

have the right from time to time, in its discretion and without the consent of or release by the Lender, to dispose of, free from the lien hereof and of the Mortgage, any and all engines, boilers, machinery, masts, boats, anchors, cables, chains, rigging, tackle, apparel, furniture, capstans, outfit, tools, pumps, pumping and other equipment, and all other appurtenances to the Vessels, and also any and all additions, improvements and replacements in or to the Vessels or said appurtenances, after, except with the prior written consent of the Lender, first or simultaneously replacing the same with items of at least substantially equal value

Section 9 4 Surrender of Vessels' Documents The Lender shall consent to the surrender of the Vessels' documents in connection with any redocumentation of the Vessels required on account of alterations to the Vessels which are not prohibited by this Security Agreement and by the Mortgage, provided that concurrently with such surrender, the Vessels shall be redocumented under the laws of the United States


Section 9 5 No Waiver of Preferred Status No provision of this Security Agreement or of the Mortgage shall be deemed to constitute a waiver by the Lender of the preferred status of the Mortgage under Chapter 313 Title 46 United States Code as amended, and any provision of this Security Agreement or of the Mortgage which would otherwise constitute such a waiver shall to such extent be of no force or effect

Section 9 6 Holiday Payments If the date for payment of any amount of principal of and interest on the Note shall be a day other than a Business Day, then such payment may be made on the next succeeding Business Day, with the same force and effect as if made on the promised date for such payment

Section 9 7 Table of Contents, Titles and Readings The table of contents, the titles of the Articles and the headings of the Sections are not a part of this Security Agreement and shall not be deemed to affect the meaning or construction of any of its provisions

IN WITNESS WHEREOF, the Owner has caused this Security Agreement to be executed and delivered as of the date first above written

OLIVE LEASING CORPORATION

By 
Richard W Stewart
Vice President

Schedule 1
to
Security Agreement

DEFINITIONS

The following terms shall have the following meanings for all purposes of the agreement identified above

Part A – Parties

Charterer: NYTR Transportation Corp , a Delaware corporation, its successors and, to the extent permitted under the Charter, its assigns

Guarantor: LFC.

Lender: BayBank, a Massachusetts Trust Company

LFC: LFC Financial Corp, a Delaware corporation, and its successors and assigns.

Lone Star Lone Star Industries, Inc , a Delaware corporation, and its successors and assigns.

NYTR. New York Trap Rock Corporation, a Delaware corporation, its successors and, to the extent permitted by the Clinton Point Agreement, its assigns

Owner Olive Leasing Corporation, a Pennsylvania corporation, its successors and, to the extent permitted by the Charter and the Security Agreement, its assigns

Part B – Documents

Basic Documents collectively, the Charter, the Clinton Point Agreement, the Note, the Security Agreement, the Mortgage, and the Guarantees

Charter: the Bareboat Charter Agreement dated December 30, 1983, as amended by Agreement dated March 20, 1992 and as the same may be amended, supplemented or waived from time to time in accordance with its terms.

Clinton Point Agreement the Clinton Point Agreement dated December 30, 1983 between the Owner and NYTR, as the same may be amended, supplemented or waived from time to time in accordance with its terms.

Guarantees. collectively, the NYTR Guarantee, the Lone Star Guarantee, and the LFC Guaranty

LFC Guaranty. the Guaranty Agreement dated March 16, 1994 of LFC in favor of the Lender, as the same may be amended, supplemented or waived from time to time in accordance with its terms.

Lone Star Guarantee the Guarantee Agreement dated December 30, 1983 of Lone Star in favor of the Owner and LFC, as the same may be amended, supplemented or waived from time to time in accordance with its terms.

Mortgage the First Preferred Fleet Mortgage given or to be given by the Owner to the Lender, as the same may be amended, supplemented or waived from time to time in accordance with its terms

Note the Promissory Note due January 1, 1996 issued on March 16, 1994 by the Owner to the Lender

NYTR Guarantee. the Guarantee Agreement dated December 30, 1983 of NYTR in favor of the Owner, as the same may be amended, supplemented or waived from time to time in accordance with its terms

Security Agreement the Security Agreement dated March 16, 1994 between the Owner and the Lender, as the same may be amended, supplemented or waived from time to time in accordance with its terms.

Part C - Other Terms

Accumulated Payments Credit an amount equal to (x) the Special Payment Account Deficiency on December 31, 1995, plus (y) the aggregate amount of any payments made on or before December 31, 1995 pursuant to Section 4(c) of the Charter

Affiliate With respect to any person, any other person which, directly or indirectly, controls, or is controlled by, or is under common control with, the such person, and any director, officer or employee of any such person For purposes of this definition, "control" shall include the power, directly or indirectly, either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors of such person or (ii) direct or in effect cause the direction of the management and policies of such person, whether by contract or otherwise.

Aggregate: aggregate, crushed rock, gravel, sand, slag or any similar material customarily used in construction or roadbuilding that is suited for transportation on the Vessels

Aggregate Owner's Cost \$18,173,780.

Aggregate Purchase Price. \$18,077,000.

Annual Base Amount as defined in the Charter.

Appraisal the "Fair Market Value Report" dated October 20, 1983 submitted by The American Appraisal Company to Lone Star relating to 116 used river scows, a copy of which is attached to the Charter as Exhibit B thereto

Appraisal Procedure the following procedure for determining any disputed value which may be determined by the Appraisal Procedure pursuant to the terms of the Charter. If the appropriate party to the Charter shall have given written notice to the other requesting determination of such disputed value by the Appraisal Procedure, each party shall appoint a qualified, independent appraiser within 15 days of the giving of such notice. Each appraiser so appointed shall be instructed to determine independently such disputed value in accordance with the applicable definition contained herein and within 30 days after the giving of such notice. If the difference between the amounts so determined by the two appraisers shall not exceed 10% of the lesser of such amounts, then the disputed value shall be an amount equal to 50% of the sum of the amounts so determined. If the difference between the two amounts so determined shall exceed 10% of the lesser of such amounts, then such two appraisers shall have 10 days to appoint a third appraiser, who shall be instructed to determine the disputed value in accordance with the applicable definition contained herein and within 20 days after such appointment, and the disputed value shall be the amount so determined by the third appraiser. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. All costs of any such appraisals shall be borne in equal shares by the Charterer and the Owner.

Authorized Newspapers the "Wall Street Journal" (all editions), the "Journal of Commerce" and a newspaper of general circulation printed in the English language, customarily published on each Business Day, and of general circulation in New York, New York.

Bankruptcy Code the Bankruptcy Reform Act of 1978, as amended.

Base Payment as set forth in Section 4(a) of the Charter

Basic Hire (i) with respect to the Basic Term, all charter hire required to be paid by the Charterer pursuant to Sections 4(a) and 4(b) of the Charter, including Base Payments and any Discount Payments and Special Payments, and (ii) with respect to any Renewal Term, the quarterly installments of charter hire required to be paid by the Charterer throughout such Renewal Term pursuant to Section 4(f) of the Charter.

Basic Hire Date during the Basic Term, each January 1, commencing January 1, 1985, and the last day of the Basic Term; and during any Renewal Term, the quarter-annual

dates commencing three months after the last day of the Basic Term, Extension Term or Renewal Term immediately preceding such Renewal Term

Basic Term. the period commencing on the Purchase Date and continuing through and including December 31, 1995, or such earlier date on which the Charter shall have been terminated in accordance with the terms thereof.

Business Day. any day which is not a Saturday, Sunday or day on which banks are authorized or required to be closed in Burlington, Massachusetts.

Casualty Value: for any Vessel on any date, the amount determined by multiplying (x) the Owner's Cost of such Vessel times (y) the percentage determined in accordance with Exhibit C to the Charter, plus the Discounted Estimated Residual Value of such Vessel on such date.

Code the Internal Revenue Code of 1986, as amended and in effect from time to time.

Discount Payment. as set forth in Section 4(a) of the Charter

Discounted Estimated Residual Value for any Vessel on any date, an amount equal to the Estimated Residual Value of such Vessel discounted from December 31, 1995 to the date of determination using an interest rate of 12% per annum, compounded semiannually on each January 1 and July 1.

Estimated Residual Value for any Vessel, an amount equal to the Purchase Price for such Vessel times the percentage for such Vessel set forth in the Appraisal under the column heading "Residual Value 12-Year"

Event of Loss: as to any Vessel, an Event of Loss shall be deemed to have occurred (i) if such Vessel shall be lost, stolen, seized, forfeited, destroyed, damaged to such extent as to make repair uneconomic or impracticable, or permanently rendered unfit for its intended use for any reason, or (ii) if title to or use or possession of such Vessel shall be taken or requisitioned by any governmental authority, or (iii) complying with Section 11(e) of the Charter with respect to such Vessel would be uneconomic or impracticable (and for purposes of this clause (iii) such compliance shall not be deemed uneconomic unless the direct costs thereof would exceed \$25,000 for such Vessel).

Excess Volume as defined in the Charter.

Excess Volume Discount: for any calendar year, the Excess Volume for such calendar year (if any) multiplied by \$2 90 per cubic yard.

Excess Volume Payment. Basic Hire in excess of the Annual Base Amount

Extension Term if elected, the period commencing on January 1, 1996 and ending on the earlier of (i) December 31, 1996 or (ii) the date on which the aggregate volume of Aggregate transported by the Charterer on all the Vessels after December 31, 1995 shall first be equal to or greater than the quotient obtained by dividing the Accumulated Payments Credit by the Base Rate

Fair Market Sales Value for any Vessel as of a particular date, the open market cash purchase price that an informed and willing person (other than a charterer or user in possession or a used equipment or scrap dealer) would pay for such a vessel (if no longer subject to the Charter) in an arm's length transaction with a willing and informed owner under no compulsion to sell (except for purposes of clause (6) of Section 18(b) of the Charter, to the extent otherwise provided in said clause (6), as such price is determined by agreement of the Owner and the Charterer or, failing such agreement, by the Appraisal Procedure

Hire collectively, all Basic Hire and Supplemental Hire

Impositions as set forth in Section 10 of the Charter.

Increased Loan Security as set forth in Section 3 4(a) of the Security Agreement.

Indebtedness the total indebtedness of any person calculated in accordance with generally accepted accounting principles consistently applied

Indemnified Person each of the Owner, the Lender, LFC and their respective agents, servants, employees and officers

Lien any lien, charge, claim, encumbrance, security interest, mortgage, pledge, charter or subcharter.

Loan the loan evidenced by the Note.

Loan Default a Loan Event of Default or an event or condition which, with the giving of notice or the passage of time or both, would become a Loan Event of Default

Loan Event of Default any of the events or conditions set forth in Section 3 1 of the Security Agreement.

Loss Payment Date for any Event of Loss occurring on or before June 30 in any calendar year during the Basic Term, the next July 1, for any Event of Loss occurring after June 30 in any calendar year during the Basic Term, the next Basic Hire Date, for any Event of Loss occurring during the Extension Term (if any), the last day of the Extension Term; and for any Event of Loss occurring during any Renewal Term, the next Basic Hire Date

Loan Security as set forth in the Granting Clauses of the Security Agreement.

Market Rate as of any date of determination, the average of the yields to maturity, determined in accordance with generally accepted financial practice, of the most recently issued five-year and ten-year United States Treasury notes during the three-week period ending on the Friday immediately preceding the date of determination, plus 1% per annum

Overdue Rate: 10 9% per annum (calculated on the actual number of days elapsed over a 360 day year).

Owner's Cost: for any Vessel, an amount equal to the Purchase Price for such Vessel times a fraction, the numerator of which is the Aggregate Owner's Cost and the denominator of which is the Aggregate Purchase Price.

Owner Requisition: for any Vessel, the requisition of the use of such Vessel by the Owner pursuant to Section 16 of the Charter.

Person: any corporation, partnership, trust, estate, individual, unincorporated business entity or governmental department, administrative agency or instrumentality.

Prime Rate: the fluctuating rate of interest announced publicly by BayBank in Burlington, Massachusetts from time to time as its base rate

Purchase Date December 30, 1983

Purchase Price for any Vessel, the estimated fair market value of such Vessel as set forth in the Appraisal under the column heading "Fair Market Value "

Renewal Term any renewal term pursuant to Section 19 of the Charter

Requisitioned Vessel any Vessel the use of which has been requisitioned by the Owner pursuant to Section 16 of the Charter, until such requisition has terminated or such Vessel has been sold pursuant to said Section 16.

Special Payment: as set forth in Section 4(a) of the Charter.

Special Payment Account: a book account to be maintained by the Charterer, the balance of which on any date shall be an amount equal to (x) 10% of the Aggregate Purchase Price, plus interest thereon from the Purchase Date to the date of determination at the rate of 12% per annum, compounded semiannually on each January 1 and July 1 (provided that, following any payment of Casualty Value pursuant to Section 12 of the Charter, the Aggregate Purchase Price for purposes of this clause (x) shall be reduced by an amount equal to the Purchase Price of the Vessels as to which Casualty Value was so paid), less (y) the aggregate amount of any Special Payments theretofore paid, plus interest on each of such Special Payments from the date on which such Special Payment was made to the date of determination at the rate of 12% per annum, compounded semiannually on each January 1 and July 1, plus (z) the aggregate amount of any Excess Volume Discounts credited from the

respective dates on which such credits were made to the date of determination at the rate of 12% per annum, compounded semiannually on each January 1 and July 1. On any Basic Hire Date on which the Charterer is entitled to any Excess Volume Discount pursuant to clause (i) of Section 4(a) hereof, such Excess Volume Discount shall be credited first to the Special Payment Account to the extent of the Special Payment Account Deficiency, if any, and second to the Excess Volume Discount Account to the extent, if any, not credited to the Special Payment Account.

Special Payment Account Deficiency on any date, the amount by which the balance of the Special Payment Account is less than the amount specified in clause (x) of the definition of "Special Payment Account"

Supplemental Hire. as defined in the Charter

Vessel: any of the 116 used open deck river scows chartered or to be chartered under the Charter, as identified in Exhibit A to the Charter

44156 c2

PROMISSORY NOTE

\$11,457,892 39

Boston, Massachusetts
March 16, 1994

FOR VALUE RECEIVED, the undersigned, Olive Leasing Corporation, a Pennsylvania corporation (the "Owner"), promises to pay to the order of BayBank a Massachusetts Trust Company (the "Lender"), at its office located at 7 New England Executive Park, Burlington, MA 01803, or at such other place as the holder of this Note may from time to time in writing designate, the sum of Eleven Million Four Hundred and Fifty Seven Thousand Eight Hundred and Ninety Two Dollars and Thirty Nine Cents (\$11,527,892.39), which shall be repaid, together with interest, at a fixed annual simple rate based on a 360 day year of twelve 30 day months, as set out in Schedule X attached hereto, from the date hereof, in four consecutive semiannual installments in the amounts set forth in Schedule X attached hereto and made a part hereof, commencing July 1, 1994 and on each January 1 and July 1 thereafter until fully paid All sums not theretofore paid shall be paid on January 1, 1996

Principal and, to the extent permitted by law, interest not paid when due shall at the option of the holder bear interest at the Overdue Rate (as such term is defined in the Security Agreement referred to below) until paid

This Note is subject to prepayment under the circumstances and in the manner set forth in the Security Agreement, and not otherwise

All payments hereunder shall be applied first to the payment of interest and premium, if any, and second, to the payment of principal

This Note is secured pursuant to the Security Agreement dated March 16, 1994 (the "Security Agreement") by and among the Owner and the Lender This Note shall be entitled to the benefit of all the terms, conditions and security given to the Lender under the Security Agreement or under any and all agreements granted by the undersigned to the Lender under or in connection with the Security Agreement or otherwise contained in any agreement or instrument delivered by the undersigned to the holder hereof

Upon the election of the Lender after the occurrence of any Loan Event of Default described in the Security Agreement, subject to the rights of the Owner to cure as provided in the Security Agreement, or upon the termination of the Security Agreement for any reason, then and in any such event, the entire unpaid principal sum evidenced or secured by this Note shall immediately become due and payable without further notice and demand, and the undersigned shall also pay all interest, fees, attorneys' fees, costs of collection, charges or other obligations due to the date of payment hereof in connection with the loan evidenced hereby as may then be required by the Security Agreement or by any agreement or

instrument which secures this Note and which was delivered under or in connection with the Security Agreement


If any payment hereunder falls due on a day which is not a Business Day (as defined in the Security Agreement) then such payment shall be made on the next succeeding Business Day and such extension of time shall not be included in the computation of the payment of interest on this Note

The undersigned and each endorser and guarantor hereby waives presentment, demand for payment, notice of dishonor and any or all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Note and hereby consents to any extensions of time, renewals, releases of any party to this Note, waivers or modifications that may be granted or consented to by the holder of this Note in respect of the time of payment or any other provisions of this Note.

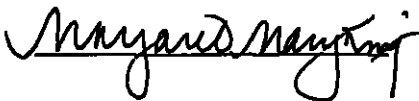
The undersigned agrees that its liability is absolute and unconditional without regard to the liability of any other party and that no delay on the part of the holder hereof in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any power or right hereunder preclude other or further exercise thereof or the exercise of any other power or right

This Note is payable in the Commonwealth of Massachusetts, shall take effect as an instrument under seal, and shall be construed in accordance with the laws thereof

OLIVE LEASING CORPORATION

By 
Richard W Stewart
Vice President

Witnessed



SCHEDULE X

PAYMENT NUMBER	DUE DATE	PAYMENT AMOUNT	PRINCIPAL	INTEREST
1	7/1/94	\$1,847,000.00	\$1,636,494.57	\$210,505.43
2	1/1/95	\$1,847,000.00	\$1,537,674.88	\$309,325.12
3	7/1/95	\$1,847,000.00	\$1,586,103.98	\$260,896.02
4	1/1/96	\$6,908,560.00	\$6,697,618.36	\$210,941.64

ANNUAL INTEREST RATE: 6.299%

